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FINANCIAL CONDITIONS

CALENDAR YEAR 1965

OFFICE OF THE CHIEF ECONOMIST

DEPARTMENT OF ECONOMICS & DEVELOPMENT

PROVINCE OF ONTARIO

JANUARY 1966

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F I N A N C I A L C O N D I T I O N S

C A L E N D A R Y E A R 1965

Third Annual Review

Office of The Chief Economist
Department of Economics and Development
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INTRODUCTION

The purpose of this statement is to present a review of those events and developments occurring during the calendar year 1965 as they affected monetary conditions in Canada.

The statement covers such major aspects of the financial spectrum as:

... general monetary conditions in Canada

... bond markets in Canada

... security markets in Canada, and

... the value of the Canadian dollar, etc.

Special attention is focused upon Ontario's position in this respect.

This statement was prepared by Mr. R.W. Jones for the Office of the Chief Economist.

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General Economic Conditions and Background

The Canadian financial community also did much to share in and reflect the fact that 1965 was again a good year for the Canadian economy. Prosperity continued to prevail whereby gains in production through agriculture, natural resources and the manufacturing industries were accorded an ever enhanced demand. This sustained buoyancy in the economy was highlighted by such factors as; a sharp increase in capital investment thus creating an accelerated call for resources, a continued rise in output re the manufacturing industries, high levels of consumer spending for both durable and non-durable goods as well as 1965's noteworthy success in marketing Canadian made goods on a world wide scale.

Consequently, Canada's Gross National Product for the year is expected to exceed $51 billion and thereby represent an increase of no less than 9% over last year in terms of current dollar values while 6% in terms of volume.

Constituting the essential feature of this gain, be it either directly or indirectly, was the attaining of an exceptionally low margin of unemployment coupled with rising personal incomes. This latter fact was, no doubt, largely due to this year's Income Tax reduction.

Acting on the other hand to constrict the prospective scale of these gains and to no doubt have an impact upon next year's performance, was the diminishing availability of credit in respect to both domestic and foreign sources, especially in the last half of the year. Canada's continued reliance upon foreign funds, besides being scaled down in accord with Canada's conditions as termed in an exemption from The U.S. Interest Equalization Tax, has been further limited by the U.S. Government's request upon commercial lenders and business entrepreneurs to voluntarily co-operate in cutting back their lending abroad and direct foreign investing.

Highlights of Proposed Amendments to the Bank Act and the Bank of Canada Act

On May 6th, 1965, Finance Minister Gordon disclosed governmental policy when he outlined in the Commons a series of amendments forming part of the decennial revision of the Bank Act, postponed from last year.

A companion piece of legislation, amendments to the Bank of Canada Act was also presented which acknowledged governmental responsibility for the central bank's monetary policy.

In its text specific recommendations were made as to:

(1) Provision for the chartered banks to lend money on conventional mortgages and charge the going rate of interest.

(2) Maintenance of the six per cent interest rate on all chartered bank loans, except those in the mortgage field.

(3) Reduction of the minimum Canadian cash reserve of the chartered banks from eight to seven per cent of Canadian deposits, freeing more money for lending.

(4) Provision for a secondary liquid asset ratio which the Bank of Canada may impose from time to time on chartered banks (varying between six and 12 per cent of Canadian deposits).

(5) Limitation (25 per cent) on foreign ownership of shares in any bank.

(6) Limitation (10 per cent) on ownership by any one person of any bank's shares.

(7) Chartered banks may not own more than 10 per cent of any one corporation.

(8) Prohibition against the purchase by Federal or Provincial governments or their agents of bank shares.

(9) New procedure (letters patent) for chartering a bank, giving the Commons annulment power over a charter, but eliminating the need for obtaining a charter by a parliamentary bill.

(10) Provision for banks to split their stocks (frozen value of $10 per share to be freed between $1 and $10) to encourage greater investment participation.

(11) Government to assume ultimate responsibility for monetary policy.

Highlights of the Economic Council of Canada's 1st Annual Report

The first annual review of the Economic Council of Canada projected a striking picture of the Canadian economy in 1970. It depicted a Canada expanding in population, productivity and social vitality at the highest rate in its history, with the standard of living at an unprecedented level. All of this is said to be within our grasp but not without some basic changes in both "private decisions and public policies toward the achievement and maintenance of high standards of performance in the economy".

Specific considerations and features of its text were as follow:

-- The Economic Council of Canada called for a 50 per cent increase in total real output from 1963 to 1970, with a gain of more than 20 per cent in real per capita income.

-- The Canadian economy must expand at a rate of 5.5 per cent a year to provide 1,500,000 new jobs by 1970.

-- The gross national production by 1970 could be $62.5 billion compared with $43 billion in 1963.

-- Consumer spending could reach $38.5 billion compared with $27.2 billion.

-- Government expenditure on goods and services could climb to $11.3 billion from $8.1 billion.

-- Civilian employment figures of 7,883,000 were set as a target compared with the 1963 figure of 6,364,000.

-- The council found unemployment at 3 per cent of the labor force was a realistic objective at which to aim over the balance of the Nineteen Sixties, compared with the current 5 per cent.

-- To meet the objectives productivity per worker would have to advance by 2.4 per cent per year, more than double the figure for the past seven years and average real income would have to climb by 3.4 per cent.

Highlights of the Bank of Canada Annual Report

On Monday, March 15th, Louis Rasminsky, Governor of the Bank of Canada, presented his annual report to the Minister of Finance. While commenting in generally optimistic terms about the present position of the Canadian economy, the Governor did draw attention to the fact that if our growth is to be sustained, special efforts will have to be made to maintain price stability and to avoid balance of payments difficulties. In outlining the economy's areas of apparent and prospective stress, the report drew particular attention to the necessity for Canada to grow at a rate comparable to that attained in the past four years though it did recognize the scope of difficulties likely to be encountered.

In essence, the report stressed that it would be insufficient for Canadian export industries as a whole merely to keep volume increases proportionate to expansion of the markets in which they are selling; likewise, in the home markets, Canadian industry will have to make itself more competitive against imported products. In order to find jobs for an anticipated growth in the labour force during the next few years, Canada will have to expand at a faster rate than most other industrialized countries - a rate which would naturally tend to generate a greater dependence upon imported products. To avoid the corresponding degree of pressure that would be placed upon Canada's balance of payments position will mean that Canada must be able to offset imports by increasing exports through competitive Canadian selling abroad. Referring to the Review of the Economic Council of Canada, the report indicated that Canadian industry will be required to improve consistently and steadily its productivity and at the same time maintain price and cost stability. Mr. Rasminsky, accordingly, endorsed the goals of maximum employment of a growing labour force, price stability, and a strong international payments position.

Highlights of the 1965-66 Federal Budget

Finance Minister Gordon's budget for 1965-66, presented to Parliament on April 26th, 1965, forecasted a deficit of $300 million, based on estimated revenues of $7.4 billion and expenditures of $7.7 billion. This was the ninth consecutive year in which a deficit had been forecast. However, though the 1964-65 budget envisaged a deficit of $455 million, it is now expected that this will be $83 million, revenues for the year having exceeded all expectations because of the extent of Canada's economic growth.

It was anticipated that the 1965-66 operation of the Old Age Security Fund would result in a surplus of $240 million, part of which would be applied to loan repayment and the balance to the programme for acceleration of old age pension payments.

Though a reduction of 10% in the basic rates for personal income tax was announced, no major revisions in the tax structure were contemplated, pending the publication of the report of the Royal Commission on Taxation. Several measures were introduced which not only extended the operating time for certain tax concessions, as well as broadening tax allowances for specified dependants, but also closed various loop-holes permitting tax evasion.

A major undertaking was that of the setting up of the Canada Development Corporation, its function being the investment of funds in industrial opportunities. With an authorized capitalization of $1 billion, it will be financed by government and public funds and the shares initially would cost $5.00 each. At year end, however, this proposal was still being debated.

The reaction of the business community was generally one of disappointment in that no provision was made for either the reduction of corporation income taxes or for some amelioration of the 11% sales tax on construction materials, machinery, etc. The public at large welcomed the reduction in income tax rates though it was felt that the benefit accruing to the taxpayers in the lower income groups was very small.

Highlights of the Ontario Attorney General's Committee on Securities Legislation

Underlying the Commission's evaluation of the Securities Industry was the characterizing of it as lacking equality as well as activities and practices to the public's best interest. The Commission expressly stated and qualified their views as follows:

> ... "imperfect knowledge restraints to the free and direct access of all persons to the market less than perfect mobility of financial resources for a variety of economic, legal, physical and institutional reasons, and tolerance of interferences with the free operation of the market. In practice it is difficult to organize the market so that it will always function in the best interests of the development of the economic resources of the country."
>
> ... "At all times, it must be made clear that the risks that are being evaluated by the capital market are normal business risks of success or failure, and every effort must be made to ensure that the public understands those risks," and
>
> ... "Whether an adequate part of these savings will be channelled into equity investments is dependent upon public confidence on the equity markets."

Thus, the essence of the investigation was founded in a growing discontentment and criticism of the industries conduct and self-regulatory effectiveness. Readily evident was the need to bring Ontario Securities laws more into line with those of the United States and the United Kingdom.

In its text specific recommendations were set forth as to:

-- Force company directors, executive officers and shareholders owning more than 10 per cent of a company's stock to report their stock trading on a regular basis and make them liable in the civil courts for improper trading;

-- Pass legislation to ensure that all shareholders of a company will get full information and a fair chance to sell their shares after a takeover bid;

-- Stop the Toronto Stock Exchange from allowing companies to sell new shares from their treasuries because this is open to "market manipulation, false rumors, artificial excitement and inside advantages by promoters, brokers and floor traders";

-- Require companies to issue semi-annual reports to shareholders giving earnings figures for the present and past years, sales or gross revenue figures and the salaries of senior management;

-- Tighten up on prospectuses given to purchasers of stock and

voting proxies sent to shareholders who cannot attent annual or special meetings of a company.

-- Turn the securities commission into an independent body - a watchdog of the securities business and not a lapdog of the provincial government. It should be able to hire more investigators, lawyers and accountants and set the qualifications and salaries.

Canadian Money Markets, 1965

Apart from a few isolated intervals, in the first half of the year, monetary and fiscal conditions in Canada tightened appreciably throughout the calendar year 1965. Inflationary tendencies and rising prices dictated that the Bank of Canada assume a more cautious policy in contrast to the expansionary one of last year. Its position was further compelled by the emerging of a similar condition of tightness in the U.S.A. which Canada had to counter by the aspiring to maintain a differential in interest rates to Canada's advantage or else face a likely and substantial drain in funds.

In addition, Canada had to face the prospects of being more self-reliant this year in respect to fulfilling her own fiscal requirements. While Canada did not experience any apparent adverse effects from the U.S. guide-lines (to business on foreign investing), Canada nevertheless was, as shall be highlighted later, only able to float a limited amount of bonds in the U.S. during 1965 as a condition of her exemption to the U.S. interest equalization tax. The value of bonds sold thus was further contingent upon Canada's holdings of gold and U.S. dollar reserves not appreciably exceeding the $2.5 billion level of July 1963. This and/or any undertaking to maintain a ceiling on official reserves thus has the effect of tying the Canadian interest rate structure more closely to that of the U.S. Accordingly, as the need for funds continued to expand re both the private and public sectors and the availability via abundance of funds tended to diminish it became evident that Canada would invariably experience a more pronounced rise in interest rates than would the U.S. and do so before the December 6th increase in the U.S. Federal Reserve's rediscount rate and the corresponding Canadian rate.

The total supply of money in Canada, nevertheless, during the year gradually advanced on average to close the year at a level of $19.9 billion. This represents an annual advance of some 11% which, it should be noted, exceeds the 9% estimated 1965 growth rate in gross national product (excluding price increases). The rate of increase in general bank loans, however, was almost 16 per cent, rising by $1.3 billion to a total of $9.5 billion.

The day-to-day loan rate, contrary to the year's general appreciation in interest rates, opened the year at a rate of 3 7/8%, eased to a low of 2 7/8% at the end of June, and then increased thereafter to end the year at a level of 3 1/2%.

Yields available on Government of Canada 91- and 182-day Treasury Bills, meanwhile, steadily advanced throughout most of 1965. The 91-day bills that opened 1965 at 3.82% closed the year with a yield of 4.54%. The 182-day Treasury Bills after opening the year with an average yield of 3.96% reached a high of 4.77 at year end. The noticeable appreciation in both these rates particularly during December reflected the upward adjustment earlier in that month of the Bank rate.

The total amount of Canada Treasury Bills outstanding increased by $100 million over the year to close at $2,150 million. Amounts of 91-day Canadian Treasury Bills on offer at the weekly auctions ranged from $95 million to $120 million while the sale of 182-day bills was held constant at $30 million.

Prime finance and commercial paper rates reflected this changing interest rate structure by closing the year higher on average by almost one-half of one per cent.

Certain of these trends in the Canadian money market are briefly illustrated in the following table. Fuller details are shown in the Table B-1.

		Treasury Bills			
	Day-to-day Loan Rate (Closing) %	Total Amount Outstanding $million	Yield 91-day Bills %	Yield 182-day Bills %	Rediscount Rate %
1964 - December 31	3 5/8	2,140	3.82	3.96	4.07
1965 - January 29	3 7/8	2,140	3.74	3.83	3.99
February 26	3 3/8	2,140	3.74	3.86	3.99
March 26	3 3/8	2,140	3.62	3.73	3.87
April 30	3 3/4	2,140	3.77	3.87	4.02
May 28	3 3/4	2,140	3.90	4.01	4.15
June 25	2 7/8	2,140	3.94	4.07	4.19
July 30	3 7/8	2,140	4.05	4.23	4.30
August 27	4	2,140	4.08	4.30	4.33
September 24	3 3/4	2,150	4.09	4.30	4.34
October 28	4	2,150	4.15	4.40	4.40
November 25	4	2,150	4.16	4.44	4.41
December 31	3 1/2	2,150	4.54	4.77	4.79 (1)

(1) The bank rate was increased to 4 3/4% on December 6.

Canadian Bond Markets 1965

Government of Canada

Greater competition for a more limited supply of funds keynoted the general state of the Canadian bond market throughout 1965.

The eminence of conditions already noted re the Canadian money market were particularly evident in respect to the Canadian bond markets. Interest rates, especially in the longer end of the market, rose relatively steadily through the course of the year with the more decisive upward adjustments being associated with these specific developments.

In the terms of specific issues this trend has been, while reflected elsewhere in the Appendices, illustrated in the accompaning table.

Yields began to rise about mid-February but did so at a very gradual while steady rate until the first of July. As credit conditions thereafter tightened perceptibly, prices of outstanding Government of Canada bonds declined quite noticeably over the next few months. By the time the Bank of Canada officially increased its bank rate, accordingly, most of the markets' rise in yields had already taken place. The increase in the Bank rate thus was only administrative and any impact it might otherwise have had had already been largely discounted.

The decline in bond prices nevertheless continued through December but at a considerably reduced rate. This thus tended to signal to those borrowers which postponed their intended financings late in the year that interest costs might be higher than ever if they need come to the market in the near future.

COMPARISON OF YIELDS OBTAINABLE ON SELECTED GOVERNMENT OF CANADA, PROVINCIAL, MUNICIPAL AND CORPORATE OUTSTANDING BOND ISSUES, FOR SELECTED DATES DURING 1965 AS THEY WERE ASSOCIATED WITH SPECIFIC DEVELOPMENTS

U.S. President Johnson, on February 10th, asked business to reduce the flow of dollars abroad by 15 to 20 per cent in 1965, and he urged bankers to reduce new foreign lending to $500 million from $2 billion in 1964. His aim being to curb the U.S. deficit in International payments.

Strains of tighter money and credit conditions began to emerge throughout the Canadian economy in much more apparent terms as it entered the fourth quarter. Tones of inflation and price increases were further noted.

Canada's Bank rate was increased to 4 3/4% on Dec. 6, 1965.

	Feb. 3 %	Feb. 17 %	July 9 %	Aug. 27 %	Dec. 3 %	Dec. 17 %
Government:						
Canada 2 3/4% June 1967-68	3.99	4.11	4.32	4.46	4.70	4.84
Canada 4 1/4% Sept. 1/72	4.81	4.93	5.13	5.23	5.27	5.37
Canada 4 1/2% Sept. 1/83	4.98	5.04	5.21	5.33	5.43	5.48
Provincial:						
Nova Scotia 5 1/2% Mar. 1/84	5.28	5.30	5.46	5.62	5.68	5.74
Quebec 5 1/2% June 15/86	5.46	5.48	5.64	5.79	5.93	5.93
Municipal:						
Toronto 5 1/2% May 15/84	5.32	5.34	5.54	5.67	5.83	5.85
Montreal 5 3/4% Mar. 1/2004	5.59	5.62	5.73	5.82	6.05	6.09
Corporate:						
Bell Tel. 5 3/4% Aug. 2/82	5.39	5.39	5.59	5.65	5.79	5.79
Dom. Tar 5 1/2% April 1/82	5.44	5.44	5.64	5.69	5.84	5.84

Source: Dominion Securities

Provincial

Trading activity on the Provincial bond market closely resembled that of the Canada bond market during calendar year 1965. Yields on outstanding issues edged fractionally higher early in the year before advancing more decisively after the market entered the second half of the year. As a consequence, prices of most outstanding provincial issues closed the year with losses ranging upwards to a full three and a half dollars in respect to $100.00 par value bonds when viewed in terms of the full year.

Municipal

Re the select and larger few issues which are actively traded on the Municipal bond markets lower prices and higher yields similarly prevailed and the behaviour of trading in these issues thus tended to correspond to the pattern set by senior government issues; namely via slight deterioration early in the year, followed by a more decisive period of price eroding which continued through to year-end (see table B-5).

Corporate

Light trading volume and slight price deterioration characterized activity on the Corporate bond market during the first quarter of calendar year 1965. Prices of outstanding issues thereafter tended to come under increased selling pressure for the duration of the year. The increase in interest rates however was more pronounced here than in any of the senior (government) bond markets. A prime factor meanwhile for this greater rise in rates was no doubt this year's continued intense competition for funds between corporations. This latter point is more fully reflected when considered in terms of this year's increase in new corporate bond financings at a time when credit was becoming scarce.

Summary of New Canadian Bond Financings

New Canadian bond financings during calendar 1965 totalled $4.7 billion, down 2.7 per cent from the $4.8 billion raised in the same period last year. This decline was largely accounted for, however, via a sharp drop in the value of New Government of Canada and Municipal bond floatations. The total borrowings by the Provinces re direct and guaranteed debt meanwhile increased modestly while those of Canadian Corporations were again this year much higher.

New Canadian direct and guaranteed issues of over 2 years in maturity this year, at $1,570 million, were some 19.7% less than 1964's total. Total municipal issues totalled just over $437.5 million as compared to some $649 million in the prior year while new Provincial issues were valued at roughly $1,237 million, some 5.1% higher over the period.

Corporate bond floatations, on the other hand, were 38% above those of a year ago. The total value of these issues was just over $1,470 million and represented 31% of the year's new issues.

Of particular interest to Canadians is the fact that of the total amount of New Canadian Corporate issues floated, almost 37% of them were sold to U.S. investors. Of these U.S. financings, no less than $316.1 million or 59% of the years $537.2 million U.S. paid Corporate issues were placed during the final quarter of 1965. The total value of these bonds, via this channel, sold in December at $14.5 million, however was low and reflected the request made by U.S. officials to postpone the marketing of that months new issues until the 1st of this year. For this reason, the sums borrowed in the U.S. market continued to be below the amounts annually financed just prior to the introduction of the U.S. Equalization tax.

A statistical and composite presentation of the sale of Canadian bonds for calendar years 1964 to 1965 follows:

New Canadian Bond Financings

Canadian Bond Financings January 1st to December 31st	1964 Amount $	1964 % of Total %	1965 Amount $	1965 % of Total %	Percentage Change 1965 over 1964 %
Canadian Direct and Guaranteed (1)	1,954,738,550	40.3	1,570,000,000	33.2	- 19.7
Provincial Direct and Guaranteed (1)	1,177,334,200	24.3	1,237,461,000	27.0	+ 5.1
Ontario Municipal	204,460,674	4.2	176,809,566	3.5	- 15.5
Quebec & Maritime Municipal	379,934,100	7.8	209,818,000	4.1	- 44.8
Western Municipal	64,185,639	1.3	50,880,702	1.1	- 20.7
Corporation	1,065,808,900	22.1	1,470,321,600	31.0	+ 38.0
	4,846,462,063	100.0	4,715,290,868	100.0	- 2.7
Payable in Canadian Funds	4,154,866,801	85.7	3,764,664,248	79.8	- 9.4
Payable in U.S. Funds	691,595,262	14.3	950,626,620	20.2	+ 37.4
	4,846,462,063	100.0	4,715,290,868	100.0	- 2.7
Refunding	949,435,712	19.6	980,956,000	20.8	+ 3.3
New Money	3,897,026,351	80.4	3,734,334,868	79.2	- 4.2
	4,846,462,063	100.0	4,715,290,868	100.0	- 2.7

(1) Over two years in term
(2) Includes Sales of Canada Savings Bonds as follows:
1964 - $974,738,550;
1965 - $683,000,000 as at November 12, latest figure available.

Source: Wood Gundy & Company Ltd.

The Province of Ontario and H.E.P.C. Ontario Guaranteed Issues

The Province of Ontario went to the market on four separate occasions during calendar year 1965 for borrowings to the total of $200 million. Its initial floatation was made in April by way of a $50.0 million 5 1/4% non-callable debenture issue, due April 15, 1985, which was priced at $99.00 to yield 5.33%. The Province's next borrowing came in August when it floated a $50 million 5 1/2% debenture issue, redeemable after August 15,1981 and fully matured in 1985, that was priced at par. The last two Provincial issues then came to the market in rapid succession with only a months interval between the second and third and the third and fourth issues. The September borrowing of $50.0 million however was undertaken in the behalf of Ontario Hydro and was marketed in the United States. These bonds carried a 4 3/4% coupon and were priced at $98.56 so as to yield 4.85% to maturity in September of 1990. The Province's October (the final borrowing of 1965) meanwhile was also for $50.0 million and carried a 5 1/2% coupon for 20 years and was priced at $98.81 to yield 5.60%.

In addition, the Province guaranteed principal and interest payments on the Ontario HEPC's only new issue of 1965. Its sole borrowing, negotiated in February, was for $75 million being in the form of a 20-year 5 1/4% debenture issue that was priced at $99.50 to yield 5.29%.

A statistical presentation of these financings is shown below.

New Province of Ontario Bonds and H.E.P.C. Guaranteed Issues, 1965

Issue date	Amount	Coupon Rate	Price	Date of Maturity	Yield to Maturity
	$ million par value	%	$		%
Ontario					
April 15, 1965	50.0	5.25	99.00	April 15, 1985	5.33
Aug. 15, 1965	50.0	5.50	100.00	Aug. 15, 1985	5.50
Sept. 15, 1965	50.0	4.75	98.56	Sept. 15, 1990	4.85
Oct. 15, 1965	50.0	5.50	98.81	Oct. 15, 1985	5.60
Hydro-Electric Power Commission					
Feb. 1, 1965	75.0	5.25	99.50	Feb. 1, 1985	5.29

Ontario Municipal Bonds

The total value by sales of Ontario Municipal bond issues during the calendar year 1965 declined by 13.5% to $176.8 million as compared with the 1964 total of $204.5 million. They accounted, nevertheless, for more than 40% of all Canadian Municipal bond issues raised during calendar 1965.

An indication of the costs of borrowing for selected Ontario municipalities since 1950, is shown in the table following:

INTEREST COST OF BORROWINGS TO FOUR REPRESENTATIVE MUNICIPALITIES IN ONTARIO DURING 1950 TO 1965

	Metropolitan Toronto(1)		City of Ottawa		City of Barrie(2)		Township of Nepean	
	Amount $000's	Interest Cost %	Amount $000's	Interest Cost %	Amount $000's	Interest Cost %	Amount $000's	Interest Cost %
1950	9,165	2.76	7,000	2.92	601	3.13	-	-
	843.3	2.35	2,936	3.50	160.8	3.19		
	15,000	2.76						
1951	20,000	3.49	8,561	3.48	580	4.44	94	4.55
	5,568	3.79						
1952	10,774	3.98	505	3.95	218.9	4.63	70	4.87
			2,032	4.20				
1953	12,000	4.24	3,417	4.08	148.2	4.60	258	4.96
	12,610	4.50					75	4.90
1954	30,235	3.63	4,304	3.22	324	4.23		
	26,155	3.56			136	3.65	180	4.04
1955	31,714	3.58	2,219	3.88	110.3	4.27	-	-
	28,169	3.88						
1956	28,580	4.58	8,058	4.12	800	4.78	-	-
	36,454	4.48						
1957	20,090	5.43	3,365	5.45	455.5	6.02	45	5.12
	26,694	5.10	10,761	4.99				
	39,372	5.20						
1958	29,640	4.13	3,676	4.55	753	5.51	253	5.65
	39,587	4.85	6,206	5.09				
1959	26,259	5.47	17,364	5.69	526	6.60	-	-
	39,982	5.22						
	24,357	6.46						
1960	41,318	5.25	17,474	5.73	912.5	5.93	364	5.94
	24,256	6.03						
	29,350	5.68						
1961	34,147	5.81	15,765	5.49	918.0	5.40	577	5.81
	33,265	5.67						
1962	30,063	5.67	4,898	5.51	-	-	2,391.9	5.50US
	20,189	5.60						
	30,209	5.66						
1963	30,634	5.46	16,039	5.49	765	5.54	906	5.60
	28,809	5.34						
	30,976	5.57						
1964	32,298	5.69	2,855	5.62	1,250	5.70	4,928.5	5.95
	31,813	5.67	4,796	5.49				
	33,513	5.59						
1965	27,664	5.48	2,820	5.62	1,502	6.26	1,956.7	5.85
	25,192	5.61						
	32,837	5.90						

(1) City of Toronto in 1950-53
(2) Town of Barrie in 1950-58

Source: Wood Gundy & Co.

Canada Savings Bonds

On Monday, September 13, the terms of the 20th series of Canada Savings Bonds were announced. The rate of return on the new bonds is 5.03% if they are held to maturity in 12 years (November 1, 1977); interest will be paid at the rate of 4½% for the first two years, 5% for the next six years, and 5½% for the final four years. These bonds, issued in denominations of $50, $100, $1,000 and $5,000 are limited to a total purchase of $10,000 per buyer. As in previous years, the new Canada Savings Bonds are redeemable anytime at full face value plus earned interest.

In announcing the terms of this year's issue, the then Minister of Finance, Walter Gordon, qualified the Government's underlying principle in the sale of these bonds as follows:

> "Every year since 1946, when Canada Savings Bonds were first sold, employees have welcomed the opportunity to purchase them through the Payroll Savings Plan. Total purchases of Canada Savings Bonds through the Plan now amount to more than $3½ billion. Last year, Payroll purchases amounting to $230,711,800 were made by 664,649 employees. This is a uniquely Canadian success story that is made possible each year thanks to the co-operation of business executives.
>
> "This year a new series of Canada Savings Bonds will encourage thousands of Canadians to save a part of what they earn. It will introduce for the first time to many of them the idea of investment ... of making their savings work for them. Often the purchase of a Canada Savings Bond is the first step towards planned long term personal investment programmes which lead directly to greater self-reliance for the individual."

The total of Savings Bonds in the hands of the public at the end of 1965 amounted to some $5,866 million - constituting just over 28% of the Government's total outstanding direct debt. A table showing the details of outstanding Canada Savings Bonds follows:

DETAILS OF OUTSTANDING CANADA SAVINGS BONDS

Year of Issue	Series	Maturity Date	Coupon Rate	Original Yield to Maturity
1954	9	1 November 1966	3 1/4%	3.25%
1955	10	1 November 1967	3 1/4%	3.25%
1956	11	1 May 1969	4% to May 1969	3.76%
1957	12	1 November 1970	4 3/4% to Nov. 1970	4.46%
1958	13	1 November 1973	4¼% to Nov. 1973	4.19%
1959*	14	1 November 1968	5% to Nov. 1968	4.98%
1960	15	1 November 1970	4½% to Nov. 1963 4 3/4% to Nov. 1964 5% to Nov. 1970	4.71%
1961	16	1 November 1971	4½% to Nov. 1968 5% to Nov. 1971	4.60%
1962	17	1 November 1976	4½% to Nov. 1965 5% to Nov. 1968 5½% to Nov. 1976	5.11%
1963	18	1 November 1975	4½% to Nov. 1965 5% to Nov. 1971 5½% to Nov. 1975	5.03%
1964	19	1 November 1974	4½% to Nov. 1966 5% to Nov. 1971 5½% to Nov. 1974	5.00%
1965	20	1 November 1977	4½% to Nov. 1967 5% to Nov. 1973 5½% to Nov. 1977	5.03%

* +3% premium at maturity

Canadian Stock Markets, 1965

While trading activity on Canada's six exchanges ebbed slightly over the year the value of transactions was considerably higher. Almost $1.7 billion shares with a $4.8 billion value were handled as compared to last year's record $1.8 billion share volume of $4.3 billion worth. The average $ value of shares traded thus was up to $2.80 per share as vs $2.39 per share last year. The increase no doubt reflected at least in part a greater activity concentration in the industrial sector of the market.

The value of transactions on the Toronto Stock Exchange alone in 1965 amounted to just under $3.2 billion - some 69% of the total value of all shares traded in Canada during 1965.

The trend towards higher industrial equity prices which has so characterized trading on the Canadian stock exchanges in recent years, after having been extended well into this year (to mid-May), was brought to an abrupt halt during 1965. The markets' initial sell-off was, for all apparent purposes, triggered by a statement made by the U.S. Federal Reserve Board Chairman, William McChesney Martin, wherein he cited what were said to be disquieting similarities between conditions now and just prior to the 1929 crash. This setback was then closely followed and thus exaggerated by the spectacular collapse of two prominent Canadian financial institutions - the British Mortgage and Loan Company and the Atlantic Acceptance Corporation. The markets' general trading behaviour and pattern since, meanwhile, has been one of collecting itself within a narrow trading range while cautiously tending to recoup their losses. The Toronto Stock Exchange Industrial Index, in reflecting the year's trading pattern, thus had appreciated to an all-time closing high of 178.05 on May 14th only to then, in a little more than 2 months, plunge to a 1965 low of 157.11 recorded on July 26th. As the price fluctuations in the market since then have been confined, this Index subsequently has, by the end of 1965 at 168.56, only appreciated to that limit representing a token gain over its 1965's opening level of 166.04.

Changes in representative stock indices during 1965 are illustrated in the following table:

COMMON STOCK AVERAGES

	Dec. 31 1965	Dec. 31 1964	% Change from Dec. 31, 1964	1964-65 High	1964-65 Low
T.S.E. Composite (113 stocks)	158.68	155.33	+ 2.1	167.53	128.73
T.S.E. Industrials	168.56	165.91	+ 1.6	178.32	137.73
T.S.E. Golds	158.05	176.00	-10.2	187.90	129.30
T.S.E. Base Metals	84.41	73.30	+15.2	86.67	58.82
T.S.E. Western Oils	102.48	92.40	+10.9	114.73	81.00
M.S.E. Papers	127.24	139.30	- 8.7	150.80	118.20
N.Y. Industrials (Dow Jones)	969.26	874.13	+10.9	969.26	766.08
Standard & Poor's (500 stocks)	92.43	84.75	+ 9.1	92.42	74.82
London Industrials (Fin. Times)	339.70	335.00	+ 1.4	377.80	313.80

Source: Dominion Securities Corp. Ltd.

A table illustrating trends in industrial stock indices in Canada and the U.S.A. since 1948 is presented as Appendix B-8.

Statistics published by the Toronto Stock Exchange indicate that the volume of all shares traded on the Toronto Stock Exchange in 1965 was 28.9 per cent less than in 1964. The value of shares traded, however, increased by some 4.9 per cent over the same period. A comparison of the volume and value of shares traded each month on the Toronto Stock Exchange during 1964 and 1965 follows:

T.S.E. Share Volume and Values

	1964		1965	
	Value $	Volume #	Value $	Volume #
Month				
January	252,590,095	104,590,959	376,269,569	84,701,922
February	187,513,867	71,991,417	316,015,145	81,922,463
March	223,673,803	88,898,964	301,381,838	103,081,352
April	350,273,263	261,521,637	305,438,478	92,192,060
May	273,413,966	107,636,185	283,492,552	80,316,972
June	255,506,512	103,008,927	298,062,999	63,494,914
July	290,859,567	156,602,994	170,567,450	43,794,476
August	183,436,313	69,859,657	197,659,652	87,262,581
September	241,277,704	75,953,469	212,917,422	59,565,665
October	244,810,593	72,083,312	238,884,566	59,267,334
November	320,292,787	114,875,376	270,295,022	88,156,680
December	226,930,079	87,109,430	228,077,933	90,478,271
Total	3,050,578,549	1,314,656,131	3,199,062,626	934,234,680

Source: Toronto Stock Exchange Review - December 1965

Canadian Corporate Dividend Declarations

According to figures released by the Financial Post, dividend payments by Canadian companies during 1965 were 14.2% higher than in 1964. Final figures for 1965 totalled $1,314 million as compared with $1,151 million at the same time last year. The monthly totals are as follows:

MONTHLY DIVIDENDS AND DECLARATIONS

	1962 $	1963 $	1964 $	1965 $
January	80,253,554	90,876,237	101,422,488	108,084,741
February	46,805,360	49,954,774	51,312,919	67,907,453
March	99,545,911	111,676,569	121,373,963	158,942,003
April	70,598,346	80,526,279	85,137,377	92,129,063
May	37,487,497	43,233,951	40,088,625	50,468,664
June	127,271,410	127,975,100	142,644,911	150,695,727
July	74,270,055	81,469,977	113,035,678	101,823,559
August	54,140,088	48,258,806	35,648,445	64,200,649
September	99,881,332	116,091,618	133,171,993	151,299,569
October	72,493,014	76,516,181	87,678,023	96,804,195
November	64,076,681	42,687,229	47,219,779	62,891,928
December	167,935,508	166,731,134	192,005,274	208,854,056
Total	994,758,746	1,035,497,855	1,150,739,475	1,314,101,807

Canadian New Issues of Corporate Securities

The marketing of new equity issues continued to be of a high value again this year. Total net capitalizations during 1965 exceeded $376 million and is thus the largest single year amount of new corporate capitalizations since 1959 when a net $403 million was obtained.

This year's increase however was essentially accounted for by an extremely large increase in the sale of new Preferred stock issues. The net total value of these new issues amounted to about $161 million or some 43% of all new equities. In past years this proportion has generally never exceed a mere 20%.

Even with the exclusion of a number of exceptional changes such as were involved in the nationalization settlements arising out of the B.C. Electric Corporation circumstances and those of Quebec Hydro taking over Shawinigan the picture

reflected re the annual sale of equity issues as illustrated in the following table are not too much changed.

Nevertheless, the manner in which these values were changed are more specifically as follows:

... Gross new issues of Common stock includes stock issues having dividens payable in U.S. dollars of $2 million in 1958, $2 million in 1959, $5 million in 1960, $10 million in 1961, $6 million in 1962, $5 million in 1963, $5 million in 1964, and $2 million in 1965.

... The retirement of Preferred stock in 1961 includes retirement of $ 104 million B.C. Electric preferred stock exchanged for bonds guaranteed by Province of British Columbia.

... The retirement of Common stock in 1961, 1964 and 1965 includes distributions to the shareholders of B.C. Power Corp., of funds received from the Province of British Columbia in payment for the common shares of B.C. Electric Co. Ltd. These distributions amounted to $87 million in fourth quarter 1961, and $115 million in first quarter of 1964, and $2 million in first quarter of 1965.

... The 1963 retirement values includes the retirement of $345 million common stocks and $55 million preferred stocks of the privately owned hydro-electric companies which were taken over by Quebec Hydro. $53 million of preferred shares were exchanged for bonds guaranteed by the Province of Quebec. Also includes new issue of $44 million of shares of Shawinigan Industries Limited.

A breakdown according to industry classification of new equity capitalizations is expressed in the Appendix B-9.

NEW ISSUES OF CANADIAN CORPORATE SECURITIES
1959 THROUGH 1965 (QUARTERLY FOR 1965 INCLUDED)
Par Values in Millions of Canadian Dollars

	Preferred Stocks			Common Stocks			Total Equity		
	Gross New Issues Delivered	Retirements	Net New Issues	Gross New Issues Delivered	Retirements	Net New Issues	Gross New Issues Delivered	Retirements	Net New Issues
Calendar Years									
1959	99	26	72	348	17	331	447	43	403
1960	57	21	36	184	1	183	241	22	219
1961	62	126	(64)	410	102	308	472	228	244
1962	94	28	67	272	2	270	366	30	337
1963	165	116	49	242	345	(103)	407	461	(54)
1964	116	78	38	411	121	290	527	199	328
1965	256	95	161	219	4	215	475	99	376
By Quarters									
1965 - I	27	7	20	62	4	58	89	11	78
II	117	43	74	62	-	62	179	43	156
III	65	39	26	49	-	49	114	39	75
IV	48	6	41	46	-	46	94	6	87

Source: Bank of Canada

Data in brackets are of a negative value

Foreign Exchange - 1965

Besides limiting borrowings, a second condition of this exemption was that Canada's official holdings of gold and U.S. dollars not be permitted to rise appreciably above the July 1963 level of $2,501 million while the tax is in effect. Subsequently, only this year from May through July had Canada's reserves declined below this upper limit. The essence of why these reserves have continually been in excess of this limit is founded noticeably through Canada's sizeable capital receipts on the sale of wheat abroad. By the end of December, Canada's holdings of these reserves had again risen to slightly over $2,665 million which is to note, meanwhile, some $73 million below their all-time peak of $2,743 million attained a year ago November.

A table showing changes in Canada's official holdings of gold and U.S. dollars from 1961 to 1965 follows:

Canada's Official Holdings of Gold and U.S. Dollars
($ Millions U.S.)

End of	1961	1962	1963	1964	1965
January	1,892.5	1,921.9	2,662.5	2,582.4	2,668.2
February	1,911.9	1,746.7	2,593.9	2,542.3	2,648.7
March	1,934.9	1,709.4	2,600.1	2,465.5	2,554.1
April	1,935.2	1,594.8	2,671.4	2,481.1	2,566.5
May	1,949.2	1,492.8	2,712.0	2,509.4	2,498.7
June	1,985.2	1,808.7	2,691.6	2,533.9	2,480.1
July	1,960.3	2,114.4	2,501.0	2,533.9	2,491.5
August	1,944.4	2,330.6	2,470.5	2,575.9	2,598.0
September	1,924.3	2,444.6	2,568.3	2,624.5	2,614.1
October	2,110.6	2,613.9	2,581.4	2,686.6	2,643.8
November	2,078.8	2,607.5	2,631.0	2,743.4	2,681.1
December	2,055.8	2,539.4	2,595.0	2,674.3	2,664.5

Source: Bank of Canada Statistical Summary

The nature and trend towards tight monetary conditions in the economy was also evident in respect to the value of the Canadian dollar (in terms of U.S. funds). Irregular selling pressures tended to underwrite its daily fluctuations throughout a large part of 1965. More specifically, the aforementioned collapse of the two Canadian financial institutions at mid-year as well as Canada's limited accessibility to international monetary sources due to international investment control limiting efforts, largely on the part of the U.S.

Government, were the key disconcerting influences on the dollar's value. From an opening and year's high value of 93.14 cents it was sold down to as low as 92.28 during the course of the year before recovering to a year end value of 93.03 cents.

A Table illustrating fluctuations in the value of the U.S. dollar and the pound sterling in Canada is shown below.

Foreign Exchange Rates

	Average Spot Noon Rates	
	U.S. Dollar in Canada	Pound Sterling in Canada
	¢	¢
1959	95.90	269.39
1960	96.97	272.28
1961	101.32	283.95
1962	106.89	300.15
1963	107.78	301.87
1964	107.86	301.29
1965 - January	107.34	299.63
February	107.53	300.56
March	108.09	301.87
April	107.81	301.89
May	108.00	302.31
June	108.25	302.56
July	108.50	302.69
August	107.75	301.00
September	107.69	301.38
October	107.53	301.44
November	107.59	301.63
December	107.69	301.81

Source: Bank of Canada Statistical Summary

Canada's Capital Account (re long term flows) in its
Balance of International Payments, 1965

Following the announcement of President Johnson's guidelines for foreign investing in February and particularly since they were enhanced upon early in December there has been developing a raging controversy over how detrimental they may serve to be to the Canadian economy. Their groundings have stemmed from the virtually unanimously accepted truism that, as Canada has benefitted so much in the past and present from the utilization of foreign capital via the U.S.A., she shall continue to have much to gain in their future availability and consequent applications.

These guidelines meanwhile were set forth almost a full year ago. Accordingly, and as illustrated in the following table, it is pertinent to note that Direct Investment in Canada by foreigners in the first three quarters of 1965 alone has already exceeded the total value of direct investment for both calendar years 1963 and 1964. This value of investments (being the most productive form of capital available) thus represents the largest annual amount so committed to Canadian industry since the U.S. interest equalization tax went into effect. Canadians during the first nine months of 1965, meanwhile, invested abroad a less than proportionate amount than they did for the like periods of 1963 and 1964.

Trading in outstanding Canadian equities by foreigners on the other hand found them to be, on balance, a very substantial seller of these securities. In many respects, however, this would be in keeping with the government's advocation that foreign business sell a proportion of their equities to Canadians while indications are indicative of this practice being followed. With the exceptionally large dollar value of $194 million of equities having been sold by foreign investors during the first three quarters of 1965 Canadian investors thus become the residual owners of these securities.

Foreign acquisitions via both trading in outstanding issues as well as purchases of new issues continued again this year to be substantial while limited in value by the terms of Canada's exemption to the U.S. interest equalization tax. Nevertheless, it is pertinent and encouraging to note that foreign holdings of Canadian debt securities, especially Corporates, have been annually increasing while corporate control via stock market activity has been on the decline in recent years.

CANADA'S CAPITAL ACCOUNT (LONG-TERM FLOWS) OF ITS
BALANCE OF INTERNATIONAL PAYMENTS
1961 THROUGH 1964 AND 1ST THREE-QUARTERS OF 1965

	Annual Totals				1st 3 qtrs. of
	1961	1962	1963	1964	1965
	Millions of Dollars				
Capital Movements in Long-Term Forms					
Direct Investment					
Direct investment in Canada*	520	495	280	255	290
Direct investment abroad*	(75)	(109)	(135)	(140)	(75)
Canadian Stocks					
Trade in outstanding stocks	39	(116)	(170)	(97)	(194)
New issues	45	20	14	21	13
Retirements	(55)	(30)	(80)	(52)	(6)
Canadian Bonds					
Trade in outstanding bonds					
Government of Canada	75	50	42	60	45
Provincial	(10)	9	1	15	10
Municipal	3	10	1	5	6
Corporate	(7)	(5)	(5)	(3)	(4)
Total	61	64	39	77	57
New Issues					
Government of Canada	37	155	173	43	20
Provincial	66	148	343	439	256
Municipal	47	74	62	184	59
Corporate	343	331	392	436	515
Total	493	708	970	1,102	850
Retirements					
Government of Canada	(48)	(86)	(76)	(87)	(63)
Provincial	(24)	(22)	(70)	(68)	(24)
Municipal	(38)	(41)	(77)	(62)	(31)
Corporate	(135)	(141)	(101)	(89)	(174)
Total	(245)	(290)	(324)	(306)	(292)
Columbia River Treaty: net	-	-	-	54	-
Foreign Securities	(34)	(65)	22	(63)	(62)
Government of Canada Loans and Subscriptions					
Advances	(8)	(22)	(18)	(10)	-
Repayments	37	129	25	9	8
Other Long-Term Capital	132	(116)	(14)	3	(141)
Total Capital Movements in Long-Term Forms	910	668	637	853	448

Source: Bank of Canada
Data in brackets are of a negative value
*excludes undistributed profits

A P P E N D I C E S

MONEY MARKET STATISTICS 1965

	Jan. 8	March 26	June 25	Sept. 24	Dec. 31
Money Supply ($ million)	18,004	18,187	18,844	19,400	19,934
Chartered Banks, General Loans ($ million)	8,193	8,375	9,066	9,395	9,454
Day-to-Day Loan Rate (%)	3 3/4	3 3/8	2 7/8	3 3/4	3 1/2
Average Yield on Treasury Bills (%)					
91-Day	3.80	3.62	3.94	4.09	4.54
182-Day	3.93	3.73	4.07	4.30	4.77
Canada Treasury Bills Outstanding ($ million)					
91-Day	1,375	1,375	1,375	1,385	1,385
182-Day	765	465	765	765	765
Prime Finance Paper Rates (%)					
30- 89 Days	4 1/8-4 1/4	3 7/8-4 3/4	4 1/4-4 5/8	4 3/4-5	5 3/4-6
90-179 Days	4 1/2-4 5/8	4 3/8-4 1/2	4 5/8-4 3/4	5-5 1/8	5 7/8-6
180-269 Days	4 5/8-4 3/4	4 1/2-4 5/8	4 3/4-4 7/8	5 1/8-5 1/5	5 7/8-6
270-365 Days	4 3/4	4 5/8-4 3/4	4 7/8-5	5 1/8-5 3/8	5 7/8-6
Prime Commercial Paper Rates (%)					
24 hr. Demand	4 1/8-4 1/4	3 7/8-4	4 3/8-4 1/2	4 5/8-4 3/4	5 1/4-5 3/8
30 day Demand	4 1/8-4 3/8	4-4 1/8	4 1/2-4 5/8	4 3/4-4 7/8	5 7/8

Source: Equitable Securities Canada Ltd.

REDISCOUNT RATES IN CANADA, THE UNITED STATES AND THE UNITED KINGDOM
SELECTED YEARS 1937 TO 1964 AND MONTHLY THEREAFTER

End of Period	Canada %	United States %	United Kingdom %
1937	2.50	1.00	2.00
1948	1.50	1.50	2.00
1950	2.00	1.75	2.00
1951	2.00	1.75	2.50
1952	2.00	1.75	4.00
1953	2.00	2.00	3.50
1954	2.00	1.50	3.00
1955	2.75	2.50	4.50
1956	3.92	3.00	5.50
1957	3.87	3.00	7.00
1958	3.74	2.50	4.00
1959	5.37	4.00	4.00
1960	3.50	3.00	5.00
1961	3.24	3.00	6.00
1962	4.16	3.00	4.50
1963	4.03	3.50	4.00
1964 - January	4.02	3.50	4.00
- February	4.13	3.50	5.00
- March	4.13	3.50	5.00
- April	3.95	3.50	5.00
- May	3.83	3.50	5.00
- June	3.84	3.50	5.00
- July	3.85	3.50	5.00
- August	4.05	3.50	5.00
- September	4.04	3.50	5.00
- October	3.70	3.50	5.00
- November	4.12	4.00	7.00
- December	4.07	4.00	7.00
1965 - January	3.99	4.00	7.00
- February	3.99	4.00	7.00
- March	3.87	4.00	7.00
- April	4.02	4.00	7.00
- May	4.10	4.00	7.00
- June	4.19	4.00	6.00
- July (22)	4.24	4.00	6.00
- August	4.33	4.00	6.00
- September	4.34	4.00	6.00
- October	4.40	4.00	6.00
- November	4.41	4.00	6.00
- December	4.79	4.50	6.00

NEW GOVERNMENT OF CANADA BOND ISSUES, 1965

Issue Date	Amount $million Par Value	Coupon Rates %	Price %	Date of Maturity	Yield to Maturity %
Feb. 1/65	175	3 1/2	99.20	May 1/66	4.16
Feb. 1/65	275	5	100.00	Oct. 1/73	5.00
April 1/65	175(1)	3 3/4	98.55	Oct. 1/67	4.37
July 1/65	150(2)	3 1/2	99.33	May 1/66	4.32
July 1/65	50(3)	4 1/4	99.50	June 1/67	4.52
July 1/65	125	5	99.75	July 1/70	5.06
Sept. 1/65	205	3 3/4	99.00	Sept. 1/66	4.79
Sept. 1/65	145(4)	5 1/2	100.75	Oct. 1/69	5.29
Sept. 1/65	100(5)	5 1/4	98.50	May 1/90	5.36
Dec. 1/65	150	4	98.85	Dec. 15/66	5.15
Dec. 1/65	100(6)	5 1/2	100.25	Apr. 1/69	5.41
Dec. 1/65	50(7)	5 1/2	100.00	Oct. 1/75	5.50

(1) Is an addition to a $100 million issue dated May 1/62 and a $75 million issue dated Oct. 1/64

(2) Is an addition to a $175 million issue dated Feb. 1/65

(3) Is an addition to a $100 million issue dated Jan. 12/61 and a $175 million issue dated June 1/63

(4) Is an addition to a $80 million issue dated Aug. 1/62

(5) Is an addition to a $125 million issue dated July 1/64

(6) Is an addition to a $80 million issue dated Apr. 1/60 and a $100 million issue dated Oct. 1/62

(7) Is a $310 million issue of 1959 and 1961 that was via an exchange of 5½% bonds due Oct. 1/60 and Oct. 1/62.

SELECTED GOVERNMENT OF CANADA BONDS, PRICES AND YIELDS

(As at Mid-Market Close)

		December 31, 1964		July 9, 1965		December 31, 1965		Change July 9, 1965 to Dec. 31, 1965		Change End of 1964 to Dec. 31, 1965	
		Price $	Yield %	Price $	Yield %	Price $	Yield %	Price $	Yield %	Price $	Yield %
4 1/2%	15 December 1966	100.35	4.22	99.85	4.53	99.40	5.00	-0.45	+0.47	-0.95	+0.78
2 3/4%	15 June 1967/68	95.00	3.99	95.50	4.32	94.25	4.76	-0.25	+0.44	-0.75	+0.77
4 1/4%	1 September 1972	95.25	4.84	94.25	5.13	93.50	5.33	-0.75	+0.20	-1.75	+0.49
3 1/4%	1 June 1974/76	85.50	4.83	84.00	5.12	83.25	5.30	-0.75	+0.18	-2.25	+0.47
3 3/4%	15 January 1975/78	87.25	4.99	86.00	5.23	84.25	5.50	-1.75	+0.27	-3.00	+0.51
3 1/4%	1 October 1979	82.25	4.89	80.25	5.18	80.00	5.26	-0.25	+0.08	-2.25	+0.37
4 1/2%	1 September 1983	93.25	5.00	91.25	5.21	89.00	5.43	-2.25	+0.22	-4.25	+0.43
3 %	15 Sept. '66/Perpetual	75.50	3.89	77.00	3.83	73.50	4.03	-3.50	+0.20	-2.00	+0.14

Source: A.E. Ames & Co. Ltd.

SELECTED ONTARIO AND H.E.P.C. BONDS, PRICES AND YIELDS
(As at Bid-Market Close)

		December 31, 1964		July 30, 1965		December 31, 1965		Change July 30,1965 to December 31,1965		Change End of 1964 to December 31,1965	
		Price $	Yield %	Price $	Yield %	Price $	Yield %	Price $	Yield %	Price $	Yield %
ONTARIO											
2 3/4%	15 Nov. 1965/69	91.75	4.38	92.00	4.53	91.50	4.83	+0.25	+0.15	-0.25	+0.45
3%	15 Dec. 1968/70	91.00	4.52	91.00	4.67	90.00	4.91	-	+0.15	-1.00	+0.39
6%	15 Nov. 1969	103.50	4.97	102.50	5.10	100.50	5.43	-1.00	+0.13	-3.00	+0.46
5%	1 Jan. 1977/79	97.00	5.20	95.00	5.42	93.75	5.57	-2.00	+0.22	-3.25	+0.37
5 1/4%	15 Apr. 1968	100.00	4.93	99.75	4.95	99.00	5.25	-0.25	+0.02	-1.00	+0.32
4 1/4%	15 June 1975/78	90.25	5.15	89.00	5.33	86.50	5.59	-1.25	+0.18	-3.73	+0.44
H.E.P.C.											
2 3/4	1 Oct. 1965/68	93.25	4.33	94.00	4.41	93.75	4.75	+0.75	+0.08	+0.50	+0.42
3	15 June 1971/73	87.00	4.73	87.00	4.83	85.50	5.09	-	+0.10	-1.50	+0.36
3 1/2	1 March 1975/77	84.50	5.11	84.00	5.23	82.50	5.42	-0.50	+0.12	-2.00	+0.31
4 1/2	1 March 1976/78	92.00	5.23	91.00	5.37	89.00	5.61	-1.00	+0.14	-3.00	+0.38
5	15 Oct. 1977/78	97.00	5.20	95.25	5.40	93.50	5.60	-1.75	+0.20	-3.50	+0.40
6	15 Feb. 1978/80	105.50	5.32	103.75	5.48	101.50	5.71	-1.75	+0.16	-4.00	+0.39

Source: A. E. Ames & Co. Ltd.

MID-MONTH YIELDS OF SELECTED GOVERNMENT OF CANADA, PROVINCE OF ONTARIO AND H.E.P.C. VARIED COUPON ISSUES FROM JANUARY 1965 TO DECEMBER 1965

	Canada	Ontario	H.E.P.C.	Canada	Ontario	H.E.P.C.	Canada	Ontario	H.E.P.C.
	4 1/4% June 1 1967	3% Dec. 15 1968/70	2 3/4% Oct. 1 1965/68	2 3/4% June 15 1967/68	2 3/4% Nov. 15 1965/69	3% June 15 1971/73	5 1/2% Aug. 1 1980	5% Jan. 1 1977/79	5% Oct. 15 1977/78
	%	%	%	%	%	%	%	%	%
1965									
January	4.23	4.52	4.20	3.97	4.37	4.58	5.03	5.11	5.11
February	4.23	4.46	4.12	4.11	4.32	4.55	5.03	5.05	5.05
March	4.25	4.58	4.25	4.25	4.41	4.60	5.12	5.10	5.10
April	4.13	4.58	4.25	3.93	4.41	4.60	5.08	5.12	5.10
May	4.15	4.51	4.24	4.06	4.33	4.60	5.10	5.12	5.10
June	4.43	4.46	4.24	4.20	4.50	4.73	5.21	5.24	5.22
July	4.58	4.67	4.41	4.29	4.53	4.83	5.28	5.31	5.31
August	4.77	4.86	4.55	4.43	4.63	4.83	5.38	5.42	5.40
September	4.79	4.94	4.57	4.34	4.65	5.03	5.34	5.48	5.43
October	5.02	4.97	4.55	4.39	4.72	5.05	5.40	5.48	5.49
November	5.07	4.97	4.72	4.72	4.83	5.17	5.47	5.51	5.55
December	5.09	4.91	4.75	4.80	4.83	5.09	5.50	5.57	5.60

Source: A.E. Ames & Co. Ltd.

COMPARISON OF SPREAD BETWEEN LONG-TERM GOVERNMENT OF CANADA YIELDS AND YIELDS ON COMPARABLE PROVINCIAL,
MUNICIPAL, PUBLIC UTILITY AND INDUSTRIAL BOND ISSUES, ANNUALLY FROM 1948 TO 1964 AND MONTHLY TO DATE

	(1)	10		10		10		10		40	
Annual Average	Long-term Canada	Provincial Bonds	Spread	Municipal Bonds	Spread	Utility Bonds	Spread	Industrial Bonds	Spread	Bond Average	Spread
	%	%	%	%	%	%	%	%	%	%	%
1948	2.91	3.36	0.45	3.69	0.78	3.72	0.81	3.79	0.88	3.64	0.73
1949	2.86	3.16	0.30	3.57	0.71	3.39	0.53	3.57	0.71	3.42	0.56
1950	2.77	3.12	0.35	3.46	0.69	3.33	0.56	3.50	0.73	3.35	0.58
1951	3.17	3.65	0.48	4.07	0.90	3.82	0.65	3.89	0.72	3.86	0.68
1952	3.54	4.14	0.60	4.65	1.11	4.23	0.69	4.29	0.75	4.33	0.79
1953	3.68	4.15	0.47	4.66	0.98	4.36	0.68	4.49	0.81	4.42	0.74
1954	3.13	3.55	0.42	3.98	0.85	3.94	0.81	4.14	1.01	3.90	0.77
1955	2.99	3.38	0.39	3.71	0.72	3.73	0.74	3.98	0.99	3.71	0.72
1956	3.58	4.16	0.58	4.57	0.99	4.28	0.70	4.53	0.95	4.39	0.81
1957	4.12	5.02	0.90	5.52	1.40	5.21	1.09	5.38	1.26	5.28	1.16
1958	4.02	4.70	0.68	5.13	1.11	4.90	0.88	4.98	0.96	4.93	0.91
1959	5.05	5.55	0.50	5.89	0.84	5.51	0.46	5.54	0.49	5.62	0.57
1960	5.23	5.65	0.42	6.00	0.77	5.68	0.45	5.71	0.47	5.76	0.53
1961	4.93	5.49	0.56	5.71	0.78	5.41	0.48	5.48	0.55	5.52	0.59
1962	4.93	5.50	0.52	5.70	0.72	5.41	0.43	5.45	0.47	5.52	0.54
1963	4.93	5.43	0.50	5.58	0.65	5.47	0.54	5.37	0.44	5.46	0.53
1964	5.06	5.53	0.47	5.67	0.61	5.52	0.46	5.50	0.44	5.55	0.49
Monthly Average											
1965 January 31	4.81	5.34	0.53	5.52	0.71	5.39	0.58	5.42	0.61	5.42	0.61
February 28	5.02	5.39	0.37	5.50	0.48	5.37	0.35	5.38	0.36	5.41	0.39
March 31	4.98	5.41	0.43	5.55	0.57	5.46	0.48	5.50	0.52	5.48	0.50
April 30	4.93	5.37	0.44	5.58	0.65	5.48	0.55	5.50	0.57	5.48	0.55
May 31	5.02	5.44	0.42	5.59	0.57	5.52	0.50	5.52	0.50	5.52	0.50
June 30	5.11	5.50	0.39	5.69	0.58	5.63	0.52	5.64	0.53	5.62	0.51
July 31	5.28	5.68	0.40	5.81	0.53	5.74	0.46	5.73	0.45	5.74	0.46
August 31	5.35	5.68	0.33	5.82	0.47	5.74	0.39	5.79	0.44	5.76	0.41
September 30	5.42	5.76	0.34	5.96	0.54	5.84	0.42	5.83	0.41	5.85	0.43
October 31	5.43	5.77	0.34	5.98	0.55	5.81	0.38	5.86	0.43	5.86	0.43
November 30	5.46	5.83	0.37	6.02	0.56	5.88	0.42	5.92	0.46	5.91	0.45
December 31	5.48	5.90	0.42	6.03	0.55	6.01	0.53	6.05	0.57	6.00	0.52

Source: McLeod, Young, Weir and Company Limited; 40 Bond Yield Average

(1) The yield for long-term Canada is based on a single bond, whereas 10 are used in the other fields

Trends in Industrial Stock Indices - 1954-1965

	Canada — Toronto Stock Exchange(1)			New York — Dow Jones (2)			New York — Standard and Poor's(3)		
	High	Low	Spread	High	Low	Spread	High	Low	Spread
1954	384.18	311.85	72.33	404.39	279.87	124.52	37.24	24.84	12.40
1955	455.90	374.18	81.72	488.40	388.20	100.20	49.54	35.66	13.88
1956	506.33	430.46	75.87	521.05	462.35	58.70	53.28	45.71	7.57
1957	490.42	380.06	104.36	520.77	419.79	100.98	53.58	41.52	12.06
1958	515.02	398.63	116.39	583.65	436.89	146.76	58.97	43.20	15.77
1959	555.65	489.77	65.88	683.90	571.73	112.17	65.81	56.75	9.06
1960	532.84	472.30	60.54	685.47	566.05	119.42	65.02	55.34	9.68
1961	620.48	524.13	95.35	734.91	610.25	124.66	76.69	60.87	15.82
1962	628.60	510.23	118.37	726.01	535.76	190.25	75.22	54.80	20.42
1963	(Based on Closing Quotations)								
Jan.	600.98	577.55	22.43	683.73	646.79	36.94	69.21	65.48	3.73
Feb.	599.90	586.19	13.71	688.96	662.94	26.02	69.54	67.14	2.40
Mar.	605.08	588.69	16.39	684.73	659.72	25.01	69.83	66.99	2.84
Apr.	636.68	603.97	32.71	718.33	684.27	34.06	73.29	70.02	3.27
May	647.96	636.37	11.59	726.96	717.95	9.01	74.35	72.89	1.46
June	649.58	628.25	21.33	726.49	706.03	20.46	74.25	72.43	1.82
July	637.31	610.52	26.79	714.09	687.71	26.38	73.74	71.16	2.58
Aug.	619.29	613.63	5.66	729.32	694.87	34.45	76.09	72.41	3.68
Sept.	649.08	621.15	27.93	748.71	732.02	16.69	77.22	75.47	1.75
Oct.	660.03	642.19	17.84	760.50	737.94	22.56	78.87	76.06	2.81
Nov.	134.19	129.23	4.96	753.77	711.49	42.28	78.11	73.43	4.68
Dec.	137.49	133.24	4.25	767.21	751.82	15.39	79.25	77.85	1.40
1964	(Based on Closing Quotations)								
	High	Low	Close	High	Low	Close	High	Low	Close
Jan.	142.71	138.48	141.36	787.78	766.08	785.43	81.83	79.74	81.58
Feb.	141.18	139.70	139.70	800.14	783.04	800.14	82.53	81.21	82.42
Mar.	145.35	140.35	145.35	820.25	802.75	813.29	84.33	82.63	83.87
Apr.	152.28	146.06	151.09	827.33	810.63	810.63	85.60	84.16	84.41
May	156.53	152.07	156.53	830.17	817.10	820.56	86.36	85.21	85.37
June	157.01	152.67	157.01	831.50	800.31	831.50	86.66	83.33	86.66
July	160.82	157.14	160.18	851.35	837.96	841.10	89.05	87.30	88.01
Aug.	160.05	157.97	158.98	842.83	823.40	838.48	87.79	85.91	86.52
Sept.	165.30	158.72	165.20	875.74	844.00	875.37	89.23	86.92	89.12
Oct.	167.31	165.00	165.50	881.50	868.44	873.08	90.22	88.99	89.72
Nov.	169.83	164.88	165.78	891.71	870.64	875.43	91.29	89.23	89.23
Dec.	165.91	161.76	165.91	874.13	857.45	874.13	89.62	87.83	89.62
1965	(Based on Closing Quotations)								
Jan.	174.95	166.04	174.26	902.86	869.78	902.86	92.57	89.06	92.57
Feb.	174.45	169.47	173.08	906.30	881.35	903.48	92.64	90.29	92.46
Mar.	175.39	171.67	171.67	901.91	887.82	889.05	92.37	90.83	90.98
Apr.	172.04	175.83	174.97	922.31	890.33	922.31	94.44	91.18	94.44
May	178.05	174.57	174.63	939.62	913.22	918.04	95.79	93.16	93.82
June	173.22	159.65	163.27	908.53	840.59	868.03	93.01	86.43	89.12
July	164.90	157.11	161.38	838.88	870.77	881.74	90.95	89.01	89.70
Aug.	169.90	162.22	164.78	896.18	881.20	893.10	92.51	90.53	92.45
Sept.	169.52	164.60	167.52	937.88	893.60	930.58	96.36	92.43	95.61
Oct.	170.04	166.93	170.04	961.85	929.65	961.85	98.36	95.34	98.36
Nov.	171.73	163.74	165.02	961.85	946.38	960.82	98.55	97.47	97.47
Dec.	168.56	163.74	168.56	969.26	939.53	969.26	98.47	96.37	98.47

(1) T.S.E. Index - 60 Industrials (1948-Oct. 1963).
New 79 Industrials commencing with November, 1963.

(2) Dow-Jones - 30 Industrials.

(3) Standard and Poor's Index - 425 Industrials.
(1941 - 43 = 10).

NET NEW ISSUES OF CORPORATE SECURITIES: INDUSTRIAL CLASSIFICATION 1962 THROUGH 1965

(Par Values in Millions of Canadian Dollars)

	Corporate Stocks*			
	1962 $	1963 $	1964 $	1965 $
Iron and Steel and Products	5	15	8	32
Uranium Mines and Products	1	(2)	-	-
Other Non-Ferrous Metal Mines and Products	48	87	62	40
Non-Metallic Mines and Products	19	6	2	2
Petroleum and Products	19	9	30	(2)
Wood and Paper Products	(3)	3	(7)	14
Other Manufactured Products	29	68	70	64
Railways and Telegraphs	-	-	-	-
Telephones	115	39	103	34
Pipelines	2	7	29	1
Other Utilities	14	(389)(2)	(81)(1)	57
Merchandisers	12	10	1	1
Sales Finance and Consumer Loan Companies	22	14	23	38
Other Financial, Insurance and Real Estate	43	75	82	90
Other	10	6	6	5
Total	336	(54)	328	376

Source: Bank of Canada

Data in brackets are of a negative value

* Subsidiary companies engaged in financing the parent companies sales or real estate are classified with the parent company.

1 - includes distribution to the shareholders of B.C. Power Corporation of funds received from the Province of B.C. in payment for the common shares of B.C. Electric Co. Ltd. These distributions amounted to $87 million in the final quarter of 1961 and $115 million in the first quarter of 1964 + $2 million in the first quarter of 1965.

2 - includes the retirement of $345 million common stock and $55 million preferred stocks of the privately owned hydro-electric companies which were taken over by Quebec Hydro. $53 million of the preferred stock were exchanged for bonds guaranteed by the Province. Also includes new issue of $44 million of shares of Shawinigan, Ind. Ltd.

NEWSOME AND GILBERT, LTD.
TORONTO